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2025 wealth management trends: Private equity, new ETF debuts
By Frank Gargano
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Private equity swept across the wealth management industry in 2024, seeing small advisory practices get bought out left and right as part of a growing trend. But not all firms are created equal, and not all leaders are eager to exchange control for cash.

Case in point, the Atlanta-based firm SFA Partners has been around for more than 20 years and according to leaders, funds growth through reinvested profits and loans when needed.

"So in 21 years, you can obviously tell that firms that started around the same time that we did, a lot of them are gone. … A lot of them are gone because they've been packaged up by private equity and eventually sold," Jamie Mackay, president and chief operating officer of SFA Partners, said.

Other advisor-facing trends kicking off 2025 include planning strategies around health savings accounts, the moving target of what it takes to enter the wealth management industry, the value of tax-loss harvesting and more.

Read more expert commentary on the top issues facing advisors below.

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New 'investor-friendly' ETFs unlock tax deferral on appreciated assets
Article by Tobias Salinger

Clients with diversified yet heavily appreciated stocks could more effectively defer capital gains and avoid the tax hit of dividends by converting them into a newly burgeoning type of ETF.

Transferring the varied holdings into an ETF with a similar basket of investments based on the rules of Section 351 of the Internal Revenue Code enables what is known as an "in-kind" exchange of assets.

The approach has existed for nearly a century, but a raft of new ETFs — starting with the launch last month of the Cambria Tax Aware ETF (ticker: TAX) — reflect how financial technology is applying it on a mass scale, according to Mebane "Meb" Faber, co-founder and chief investment officer of Cambria Investment Management. The quantitative management and alternative investments firm collaborated with ETF tax and operational advisory firm ETF Architect on the Dec. 18 start of TAX.

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Raymond James files defamation suit over insider trading, neo-Nazi claims
Article by Dan Shaw

Raymond James is accusing one of its former interns of running a monthlong cyber smear campaign involving allegations of insider trading, rape convictions and the promotion of a purported neo-Nazi banking group.

Raymond James filed a suit in federal court for the southern district of Ohio on Jan. 10 against Paul T. Saba Jr., who worked as an investment banking intern in Atlanta last summer. Months after Saba learned he wouldn't be hired for a full-time position at Raymond James and returned to Cincinnati, people inside and outside the firm began receiving emails as part of what the suit calls an "insidious, repugnant, and wide-reaching cyber-harassment campaign."

The harassment grew so bad, according to the suit, that Raymond James decided to shut down its Atlanta office for two days in January.

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Why some RIAs aren't riding the private equity wave
Article by Dan Shaw

Jamie Mackay and his firm are staking out an increasingly lonely position in the wealth management world.

At a time when private equity firms are buying up small advisory practices left and right, Mackay and SFA Partners offer advisory, broker-dealer and insurance services without accepting an ownership stake from an outside partner. Rather than secure financing from private equity investors, SFA pays for growth by reinvesting profits and taking out loans when needed.

Mackay, the president and chief operating officer of the Atlanta-based firm with nearly $7 billion under management, knows he and his colleagues are probably forgoing some of the skyrocketing gains offered by private equity. But that growth is often bought at the price of frequent changes of ownership.

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How HSAs pay off in retirement — with caveats

Article by Tobias Salinger

Health savings accounts could play a crucial and tax-advantaged role for clients' medical costs in retirement, but holding them until age 65 and beyond poses some complexities as well.

The trifecta of pretax contributions, untaxed accumulation and duty-free withdrawals for qualified medical expenses in the accounts open to those with high-deductible health insurance may pay off extra in retirement — as long as financial advisors and their clients keep Medicare rules in mind and avoid a possible tax hit to non-spouse heirs in their estate plans, experts said.

That's because HSA withdrawals do not affect the calculation of taxes on Social Security benefits and aren't subject to required minimum distributions like traditional individual retirement accounts.

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How to help clients plan for the high costs of long-term health care
Article by Rob Burgess

As life expectancies increase, more and more Americans will need long-term health care services as they age.

According to the Department of Health and Human Services (HHS), 70% of adults over age 65 will require some form of paid or unpaid long-term health care support. And according to a recent Centers for Disease Control and Prevention report, life expectancy for American women is now 81, compared to less than 76 for men. Women, on average, need long-term care for 3.7 years, compared to 2.2 years for men, according to the HHS.

The recent extended hospice care of former President Jimmy Carter is an example of the need for advisors to guide clients in considering and planning for the potential costs of extended end-of-life health expenses: At the age of 100, Carter died in December after spending nearly two years in a hospice setting.

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Firms that can and can't fetch 20-times EBITDA with private equity
Article by Dan Shaw

Peter Nesvold of Nesvold Capital Partners says he can remember a time when an advisory practice selling for 10 times its EBITDA seemed outlandish.

Now it's not unheard of for RIAs to fetch 20 times EBITDA — a common profitability measure standing for earnings before interest, taxes, depreciation and amortization. Driving much of the skywards leap in valuations are large aggregator firms deriving their financial fuel from private equity.

If 10-times EBITDA once seemed unimaginable, now it's a "50% premium on that," said Nesvold, whose firm is a consultant and investment bank specializing in wealth management mergers and acquisitions. And there's no sign that purchase prices have hit anything like a peak.

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Merrill starts UHNW advisory group, targeting $10M+ clients
Article by Dan Shaw

Merrill wants its advisors working with more well-heeled clients and has set up a special team of investment consultants to help them do it.

On Jan. 8, Merrill introduced what it's calling the Ultra-High-Net-Worth Advisory Group. This team of 25 investment experts will work with advisors serving clients with $10 million or more in net worth to provide tailored portfolios, trust and estate planning, tax management, aid with philanthropic giving and other services.

That client segment is a particularly sweet spot for the Bank of America-owned wealth manager. Merrill reported in October that it brought in double the number of clients worth $10 million or more in the third quarter as it had in the same period a year before.

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Changing careers to become a financial advisor? Here's what to know
Article by Tobias Salinger

For those thinking about changing careers by breaking into wealth management and becoming a financial advisor, the opportunity is there.

Tens of thousands of advisors will retire each year over the next decade, and experts say that professionals from other fields form part of the solution to the industry's succession challenges. New kinds of training that are different from the infamous "eat what you kill" trial to generate business or find a new job can help aspiring planners gain technical skills and assist prospective employers in identifying talent.

The problem is that getting a foothold in the profession remains very difficult, and there are still a lot of misconceptions about careers in wealth management.

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Vanguard finds tax-loss harvesting is key to advisor value
Article by Tobias Salinger

Financial advisors can deliver value to clients in 2025 by closely watching the political debate around taxes — and restraining themselves a bit, a Vanguard practice management expert said.

With so many unknowns about the details and impact of the extension of the Tax Cuts and Jobs Act, the "worst thing an advisor could do" would be to change their clients' portfolios based on a prediction, according to Fran Kinniry, a principal and the head of the Vanguard Investment Advisory Research Center as the lead author of the annual Advisor's Alpha study. However, once the bill is signed into law, they'll need to move quickly, Kinniry said.

"The key is not to speculate, but to implement portfolio changes to take advantage of tax policy once it becomes law," Kinniry said. "It's another reason why you may want to use direct investing to have losses that are harvested to change the portfolio to take advantage of any future tax changes that are out there."

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Advisors affiliated with broker-dealers most likely to leave
Article by Rob Burgess

Financial advisors affiliated with a broker-dealer are far more likely than other advisors to say they will definitely leave their firm this year.

That was among the findings in this month's Financial Advisor Confidence Outlook (FACO), a survey of advisors and planners by Financial Planning. Among other queries, January's survey asked 259 advisors, "How likely are you to leave your current firm in 2025?" Of those who responded, 82% said they were not at all likely to leave, 8% were somewhat likely, 6% said they were very likely to leave and 4% said leaving was a definite certainty.

That "definite certainty" rose significantly when looking at advisors affiliated with broker-dealers. Broken down by role and affiliation, 11% of advisors at broker-dealers said they would definitely leave their firm in 2025; an additional 8% said it was very likely they'd leave this year, with 5% saying it was somewhat

likely.

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